



**(A Component Unit of the
City of Traverse City, Michigan)**

Financial Statements

**For the Fiscal Year Ended
June 30, 2008**



Vredeveld Haefner LLC

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

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INDEPENDENT AUDITORS' REPORT

December 9, 2008

Honorable Chairman and Members
Traverse City Light and Power Board
Traverse City, Michigan

We have audited the accompanying financial statements of each major fund of Traverse City Light and Power (a component unit of the City of Traverse City, Michigan) (the "Department") as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the Department. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Department as of June 30, 2008, and the respective changes in financial position and cash flows of each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2008, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements of Traverse City Light and Power. The schedules of capital assets and depreciation, and schedules of revenues and expenditures - budget and actual, are supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Vredeveld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRAVERSE CITY LIGHT AND POWER

Management's Discussion and Analysis

As management of the *Traverse City Light and Power* (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

1. The Department sold all of the equipment relating to the Boardman and Sabin Dams, which were used to generate electricity for Light and Power's customers. The Department's Board approved contracts with the dam owner, Grand Traverse County, to provide routine maintenance for a limited time period.
2. The Department created a new fund, the Fiber Fund, to account for its Fiber Optics activity. The Light and Power Fund provided a capital contribution to the Fiber Fund in the amount of \$1,208,876 to cover the initial costs of this new enterprise.
3. The Department budgeted for a rate increase of 2.9% October 1, 2007, however, that rate increase was never implemented causing revenue's to be under budget in nearly all classifications.
4. Through the implementation of a work order management system, FERC accounting was implemented in the 2007-08 fiscal year which has enabled the department to distribute employee wages, benefits, and equipment rentals to the specific areas, in which, employees worked (i.e. capital improvements, specific electrical expense line items.) Due to this change in accounting, the previous year's budgeted expenses compared to actual is not provided in the current year's financial statement presentation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. The Department's financial statements comprise three components:

1. Fund financial statements
2. Notes to the financial statements, and
3. Supplementary information.

Fund Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Department is accounted for in proprietary funds (Enterprise Funds).

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing electrical services to customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Balance Sheets presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Assets presents information showing how the Department's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The Department is principally supported by charges for providing electrical and fiber services to customers in Traverse City and Townships within the franchise area. The financial statements include only the Department itself. The Department has no legally separate component units for which the Department is financially accountable.

The Department adopts an annual appropriated budget for its funds as required by City Charter. Budgetary comparison schedules have been provided herein to demonstrate compliance with that charter provision.

The Department does not maintain any governmental or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Department's financial statements.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain *supplementary information*, which is this management discussion and analysis and schedules following the notes to financial statements.

The Department's Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities by approximately \$63,900,000 at the close of the most recent fiscal year, June 30, 2008.

By far, the largest portion of net assets for the Department is its investment in capital assets (primarily land, construction in progress, buildings, distribution system and equipment), less any related debt that is still outstanding. The Department uses these capital assets to provide services to customers. The bulk of the remaining Department net assets are unrestricted and available for Department activity.

Traverse City Light and Power's Net Assets

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Business-type Activities		
Current and other assets	\$ 27,872,178	\$ 27,088,619
Capital assets	<u>39,063,105</u>	<u>34,606,059</u>
Total assets	66,935,283	61,694,678
Long-term liabilities outstanding	265,356	369,545
Other liabilities	<u>2,744,365</u>	<u>2,566,456</u>
Total liabilities	3,009,721	2,936,001
Net assets		
Invested in capital assets	39,063,105	34,606,059
Restricted	665,199	622,595
Unrestricted	<u>24,197,258</u>	<u>23,530,023</u>
Total net assets	<u>\$ 63,925,562</u>	<u>\$ 58,758,677</u>

Traverse City Light and Power's Changes in Net Assets

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Business-type Activities		
Operating revenue	\$ 29,610,200	\$ 28,648,766
Operating expenses	25,968,906	26,645,060
Nonoperating revenue (expenses) – net	<u>1,525,591</u>	<u>2,821,572</u>
Income before special items	5,166,885	4,825,278
Special items - net	<u>-</u>	<u>(1,583,380)</u>
Increase in net assets	5,166,885	3,241,898
Net assets – beginning of year	<u>58,758,677</u>	<u>55,516,779</u>
Net assets – end of year	<u>\$ 63,925,562</u>	<u>\$ 58,758,677</u>

Business-type activities

The overall financial position of the Department remained strong in 2007-2008. There are no outstanding debt obligations except for the commitments through the power supply contracts with MPPA to reimburse MPPA for debt service costs relating to the Campbell, Belle River and Combustion Turbine generation plants.

Revenue

In fiscal year 2007-2008, a budgeted rate increase of 2.9% was not implemented resulting in actual revenues being under budget in most revenue categories. Midwest Independent Transmission System Owner, "MISO", income was \$314,000 higher than the previous year because reported transmission assets and expenses increased over the prior year

Expenses

In fiscal year 2007-2008, operating expenses increased approximately \$386,000 from fiscal year 2007. The primary increases resulted from items that did not occur in 2007. These items include transmission maintenance work performed by the MPPA in the amount of \$50,000 and tree trimming services in the amount of \$130,000.

Traverse City Light and Power Capital Assets (net of depreciation)

	June 30	
	2008	2007
Land	\$ 737,439	\$ 821,051
Construction in progress	3,632,400	1,229,136
Buildings and improvements	3,985,430	3,985,430
Equipment and distribution system	48,302,701	44,685,948
Accumulated depreciation	<u>(17,594,865)</u>	<u>(16,115,506)</u>
Total	<u>\$ 39,063,105</u>	<u>\$ 34,606,059</u>

The Department entered into an agreement with Wolverine Power Supply Cooperative to construct a new transmission substation. The Department contributed \$3,300,000 (50% share of the construction costs) to the project. This transaction was recorded in construction in progress.

Additional information about capital assets is provided in Note 3 and 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

A rate increase in the Light and Power Fund of 2.9% was budgeted for in 2007-2008 but was not implemented due to favorable cash and investment balances. It is not anticipated that a rate increase will be necessary in the near future; however, future generation needs and recently passed legislation requiring 10% renewable energy generation by 2015 will impact the Departments capital plans. Currently, the Department is assessing the feasibility of a wind farm and investigating other renewable energy sources to achieve this required mandate.

Due to the uncertainty of the local and state economy, the Department maintained a status quo budget in 2008-2009 allowing for modest increases for inflation, with higher expected fuel and energy charges.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tim Arends, Controller, Traverse City Light and Power, 1131 Hastings Street, Traverse City, MI 49686.

BASIC FINANCIAL STATEMENTS

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

BALANCE SHEETS JUNE 30, 2008

ASSETS	Light and Power Fund	Fiber Fund	Total
Current assets			
Cash and cash equivalents	\$ 5,176,155	\$ -	\$ 5,176,155
Investments	15,274,109	-	15,274,109
Receivables			
Customer, less allowances of \$113,375 for uncollectible accounts (Light and Power Fund)	3,033,581	19,374	3,052,955
Accrued interest	37,735	-	37,735
Taxes	2,825	-	2,825
Other	1,206,774	-	1,206,774
Inventories	1,686,126	-	1,686,126
Prepaid expenses	11,604	-	11,604
Total current assets	26,428,909	19,374	26,448,283
Restricted assets			
Investment in MPPA trust	665,199	-	665,199
Long-term assets			
Long-term advances - due from primary government	758,696	-	758,696
Land	737,439	-	737,439
Construction in progress	3,632,400	-	3,632,400
Capital assets, net	33,359,311	1,333,955	34,693,266
Total long-term assets	38,487,846	1,333,955	39,821,801
Total assets	\$ 65,581,954	\$ 1,353,329	\$ 66,935,283

The accompanying notes are an integral part of these financial statements.

	Light and Power Fund	Fiber Fund	Total
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 2,265,478	\$ 2,702	\$ 2,268,180
Accrued expenses and other liabilities	81,181	-	81,181
Customer deposits	114,806	-	114,806
Due to primary government	279,716	482	280,198
Total current liabilities	2,741,181	3,184	2,744,365
Long-term liabilities			
Compensated absences	265,356	-	265,356
Total liabilities	3,006,537	3,184	3,009,721
Net assets			
Invested in capital assets	37,729,150	1,333,955	39,063,105
Restricted by MPPA trust agreement	665,199	-	665,199
Unrestricted	24,181,068	16,190	24,197,258
Total net assets	62,575,417	1,350,145	63,925,562
 Total liabilities and net assets	 \$ 65,581,954	 \$ 1,353,329	 \$ 66,935,283

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

	Light and Power Fund	Fiber Fund	Total
Operating revenues			
Charges for services	\$ 27,359,615	\$ 9,648	\$ 27,369,263
MISO income	1,968,992	-	1,968,992
Other	271,945	-	271,945
Total operating revenues	29,600,552	9,648	29,610,200
Operating expenses			
Generation	17,920,260	-	17,920,260
Distribution	2,836,599	-	2,836,599
Transmission	150,909	-	150,909
Customer accounting	330,357	-	330,357
Public service	308,778	-	308,778
General administration	992,826	-	992,826
Fiber	-	137,077	137,077
Other	297,543	-	297,543
City fee	1,514,716	482	1,515,198
Depreciation and amortization	1,479,294	65	1,479,359
Total operating expenses	25,831,282	137,624	25,968,906
Operating income (loss)	3,769,270	(127,976)	3,641,294
Non-operating revenues (expenses)			
Rental income	31,771	-	31,771
Reimbursements	262,838	217,520	480,358
Capital contribution	-	51,725	51,725
Interest income	997,161	-	997,161
Change in fair market value of investments	48,188	-	48,188
Loss on sale of capital asset	(83,612)	-	(83,612)
Total non-operating revenues	1,256,346	269,245	1,525,591
Income before transfers	5,025,616	141,269	5,166,885
Capital contribution	(1,208,876)	1,208,876	-
Change in net assets	3,816,740	1,350,145	5,166,885
Net assets, beginning of year	58,758,677	-	58,758,677
Net assets, end of year	\$ 62,575,417	\$ 1,350,145	\$ 63,925,562

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008

	Light and Power Fund	Fiber Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 29,558,386	\$ 2,500	\$ 29,560,886
Cash payments to employees	(4,915,169)	(69,501)	(4,984,670)
Cash payments to suppliers for goods and services	(18,519,292)	(64,874)	(18,584,166)
Cash payments of city fee	(1,478,700)	-	(1,478,700)
Net cash provided by and (used in) operating activities	4,645,225	(131,875)	4,513,350
Cash flows from non-capital financing activities			
Long-term advance to primary government	62,820	-	62,820
Customer deposits	(11,869)	-	(11,869)
Rental income	31,771	-	31,771
Reimbursements	262,838	205,294	468,132
Net cash provided by non-capital financing activities	345,560	205,294	550,854
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	60,000	-	60,000
Purchase of capital assets	(4,745,997)	(1,334,020)	(6,080,017)
Capital contribution	(1,208,876)	1,260,601	51,725
Net cash used in capital and related financing activities	(5,894,873)	(73,419)	(5,968,292)
Cash flows from investing activities			
Sale of investments	(4,320,892)	-	(4,320,892)
Investment income	1,024,061	-	1,024,061
Net cash used in investing activities	(3,296,831)	-	(3,296,831)
Net increase (decrease) in cash and cash equivalents	(4,200,919)	-	(4,200,919)
Cash and cash equivalents, beginning of year	9,377,074	-	9,377,074
Cash and cash equivalents, end of year	\$ 5,176,155	\$ -	\$ 5,176,155

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008

	Light and Power Fund	Fiber Fund	Total
Cash flows from operating activities			
Operating income (loss)	\$ 3,769,270	\$ (127,976)	\$ 3,641,294
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	1,479,294	65	1,479,359
Changes in operating assets and liabilities which (used) provided cash			
Receivables	(42,166)	(7,148)	(49,314)
Inventories	(647,482)	-	(647,482)
Prepaid expenses	2,330	-	2,330
Accounts payable	130,128	2,702	132,830
Due to other governments	36,016	482	36,498
Accrued expenses and other liabilities	22,024	-	22,024
Compensated absences	(104,189)	-	(104,189)
Net cash provided by and (used in) operating activities	\$ 4,645,225	\$ (131,875)	\$ 4,513,350

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Under provisions of the City of Traverse City (the "City") Charter, the Light and Power Board (the "Board") was created having jurisdiction and control of *Traverse City Light and Power* (the "Department"). The Board consists of seven members (two of which are City commissioners) and one ex-officio member (the City Manager). The Department's annual budget is approved by the City Commission. The Department is required to pay 5% of its gross revenue annually to the City's General Fund for payment in lieu of taxes. For fiscal 2008, payment of City fee was \$1,514,716.

Reporting entity

The Department is a discrete component unit of the City because the City appoints the Department's Board of Directors, it has the ability to significantly influence the Department's operations and it is financially accountable for the Department as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Department is presented as a discrete component unit in the City's financial statements and is an integral part of that reporting entity.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Department. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Department.

Basis of Accounting

The Department uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Department considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value. The change in fair value of the investments from the beginning of the year to the end of the year is reported in the "Non-operating revenues (expenses)" section of the Statements of Revenues, Expenses and Changes in Net Assets".

State statutes authorize the Department to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptance of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

Inventories

Inventories consist of materials to be used in the electric system and are valued at average cost. Maintenance and office supplies (immaterial at year end) are charged to expenses upon purchase.

Capital assets

Capital assets are defined by the Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated lives of the related assets as follows:

	<u>Years</u>
Buildings and structures	20-50
Power production equipment and distribution system	5-50

Compensated Absences

Compensated absences consist of accumulated unpaid vacation, short-term leave and sick pay. Accumulated unpaid vacation and short-term leave are accrued when earned and sick pay is accrued up to a maximum when it is probable that the benefit will be paid to the employee, in accordance with Governmental Accounting Standards Board Statement No. 16 - *Accounting for Compensated Absences*.

Operating Revenue versus Non-operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department are charges to customers for sales and services and MISO revenue. Operating expenses for the Department include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TRAVERSE CITY LIGHT AND POWER
(A Component Unit of the City of Traverse City, Michigan)
NOTES TO FINANCIAL STATEMENTS

Funds

The Department reports the following major proprietary funds:

The Light and Power Enterprise Fund is used to account for the operations of the Department's electric utility that provides electric service to customers on a user charge basis.

The Fiber Enterprise Fund is used to account for the operations of the Department's fiber optic utility that provides services to customers on a user charge basis. The Fiber Fund was created in 2008 with an initial capital contribution from the Light and Power Enterprise Fund.

GASB 20

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Except for restricted investment in the MPPA trust which may be used for payments to the MPPA for supply contract and other costs.

Budgetary Information

The Department follows the requirements set forth in the Charter in establishing the budgetary data reflected in the financial statements:

- The Department submits a proposed budget to the City Manager. After review, the City Manager submits a recommended operating budget to the City Commission. Public hearings are held to obtain taxpayer comments. The budget is legally adopted through a City Commission resolution prior to the beginning of the budgetary year for the Department's fund. The budget is then adopted by the Department's Board.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original appropriations.

2. CASH DEPOSITS AND INVESTMENTS

The Department's cash and cash equivalents, investments and restricted assets at June 30, 2008 are composed of the following:

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

	<u>Cash and cash Equivalents</u>	<u>Investment in MPPA trust</u>	<u>Investments</u>	<u>Totals</u>
Deposits	\$ 5,175,955	\$ -	\$ 7,604,690	\$ 12,780,645
Investments	-	665,199	7,669,419	8,334,618
Petty cash	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Total	<u>\$ 5,176,155</u>	<u>\$ 665,199</u>	<u>\$ 15,274,109</u>	<u>\$ 21,115,463</u>

Deposits consist of various interest bearing cash accounts and certificates of deposit, held by the City Treasurer. The insured and uninsured bank balances for the Department deposits are not available as these deposits are held in pools with other City funds.

The Department is authorized by Michigan Public Act 20 of 1943 to invest surplus monies in U.S. bonds and notes, certain commercial paper, mutual funds and investment pools that are composed of authorized investment vehicles.

The Department chooses to disclose its investments by specifically identifying each. As of June 30, 2008, the Department's MBIA Class Pool investments is rated by Fitch and the Department had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Federal Home Loan bond	03/10/2016	\$ 247,578	AAA
US Treasury note	09/15/2008	501,330	AAA
US Treasury note	04/15/2009	100,602	AAA
US Treasury note	09/18/2008	996,070	AAA
US Treasury note	05/31/2009	1,022,500	AAA
US Treasury note	06/15/2009	1,015,230	AAA
US Treasury note	09/25/2008	995,880	AAA
US Treasury note	12/18/2008	990,120	AAA
US Treasury note	12/26/2008	989,520	AAA
US Treasury note	09/15/2008	100,266	AAA
US Treasury note	08/15/2008	701,316	AAA
MPPA Investment pool	Various	665,199	N/A
MBIA Class pool	N/A	2,966	AAA/V1
Investment pool	14 days	<u>6,041</u>	N/A

\$ 8,334,618

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1. The Department's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Department's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. State law does not require and the Department does not have a policy for deposit custodial credit risk. The insured and uninsured bank balances for the Department deposits are not available as these deposits are held in pools with other City funds.

Custodial Credit Risk – Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Department does not have a policy for investment custodial credit risk. Of the above \$7,660,412 of investments at June 30, 2008, the Department has a custodial credit risk exposure of \$7,660,412 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investment pools the Department's custodial credit risk exposure cannot be determined because the Department does own specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The Department's investment policy does not have specific limits in excess of state law on concentration of credit risk. None of the investments held by the Department excluding government obligations explicitly guaranteed by the U.S. government and mutual fund investments, exceed the 5% of the Department's investments.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

At June 30, 2008 capital assets consist of the following

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 821,051	\$ -	\$ (83,612)	\$ 737,439
Construction in progress	<u>1,229,136</u>	<u>5,343,694</u>	<u>(2,940,430)</u>	<u>3,632,400</u>
Total capital assets not being depreciated	<u>2,050,187</u>	<u>5,343,694</u>	<u>(3,024,042)</u>	<u>4,369,839</u>
Capital assets being depreciated				
Buildings and improvements	3,985,430	-	-	3,985,430
Equipment and distribution system	44,685,948	2,342,733	(60,000)	46,968,681
Fiber system	<u>-</u>	<u>1,334,020</u>	<u>-</u>	<u>1,334,020</u>
Total capital assets being depreciated	<u>48,671,378</u>	<u>3,676,753</u>	<u>(60,000)</u>	<u>52,288,131</u>
Less accumulated depreciation for				
Buildings and improvements	(503,925)	(119,438)	-	(623,363)
Equipment and distribution system	(15,611,581)	(1,359,856)	-	(16,971,437)
Fiber system	<u>-</u>	<u>(65)</u>	<u>-</u>	<u>(65)</u>
Total accumulated depreciation	<u>(16,115,506)</u>	<u>(1,479,359)</u>	<u>-</u>	<u>(17,594,865)</u>
Total capital assets being depreciated, net	<u>32,555,872</u>	<u>2,197,394</u>	<u>(60,000)</u>	<u>34,693,266</u>
Business-type activities capital assets, net	<u>\$ 34,606,059</u>	<u>\$ 7,541,088</u>	<u>\$ (3,084,042)</u>	<u>\$39,063,105</u>

4. LONG-TERM DEBT

Long-term debt at June 30, 2008 consists of the following:

	<u>Compensated Absences</u>
Beginning Balance, July 1, 2007	\$ 369,545
Reductions	<u>(104,189)</u>
Ending Balance, June 30, 2008	<u>\$ 265,356</u>
Due within one year	<u>\$ 4,695</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

5. POWER SUPPLY PURCHASE

The Department, along with other Michigan municipal utilities, is a member of the Michigan Public Power Agency ("MPPA"). The agency was formed to acquire interests in certain electric generating plants and related transmission lines. MPPA has acquired a 4.8% undivided interest in the Consumers Power Company Campbell 3 plant, an 18.61% undivided interest in the Detroit Edison Company Belle River project, and 100% undivided interest in the Kalkaska Combustion Turbine project.

In 1983, the Department entered into a 35 year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA's 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA's 18.61% interest in the Belle River plant. In 2002, the Department entered into a 25 year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA's 100% interest in the Kalkaska Combustion Turbine.

For the years ended June 30, 2008, Traverse City Light and Power recognized expenses totaling \$17,384,409, to purchase power under the terms of the contract. The price of the power was calculated on a basis, as specified in the contract, to enable MPPA to recover its production, transmission and debt service costs.

Under the terms of the contract, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2008 costs adjusted for inflation. The total estimated future operating costs, which do not include the debt payments below are as follows:

<u>Year Ended December 31</u>	<u>Operating Costs</u>
2009	\$ 5,904,597
2010	6,081,735
2011	6,264,187
2012	6,452,113
2013	6,645,676
2014-2018	30,946,291
2019-2023	24,247,430
2024-2028	<u>22,543,197</u>
	<u>\$104,085,226</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

The estimated total annual debt payments (assuming no early calls or refinancing of existing revenue bonds) are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,313,742	\$ 1,971,025	\$ 4,284,767
2010	2,249,546	1,854,111	4,103,657
2011	2,360,782	1,750,396	4,111,178
2012	2,470,034	1,640,981	4,111,015
2013	2,592,937	1,519,905	4,112,842
2014-2018	12,999,141	5,542,422	18,541,563
2019-2023	6,789,255	2,898,906	9,688,161
2024-2028	6,831,000	919,481	7,750,481
	<u>\$ 38,606,437</u>	<u>\$ 18,097,227</u>	<u>\$ 56,703,664</u>

The MPPA and its member utilities were over-charged on their power sales contract agreements. Because of this, MPPA and the member utilities have established a trust fund ("The Municipal Competitive Trust"). Specific policies have been established by each member regarding the use of these funds. The Department's share of this trust fund was \$ 665,199 as of June 30, 2008.

6. RETIREMENT PLAN

Through the City, the Department participates in the Municipal Employees' Retirement System (MERS), defined benefit plan that covers substantially all employees. Annual contributions to the plan are based on actuarial studies performed annually. The Department's contributions to the plan during the years ended June 30, 2008 was \$558,456. The disclosure requirements of the Governmental Accounting Standards Board Statement Number 27 are provided in the City's Financial Statements.

7. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described above, the Department provides post-retirement health insurance premiums in accordance with their personnel policies and collective bargaining agreements. The benefit includes payment of the retiree's premium until they reach the age of Medicare eligibility and at that time premiums for complementary coverage are paid by the Department. The Department paid approximately \$120,000 for 26 participants.

The Department began participating in the Municipal Employees' Retirement System retiree health funding vehicle that covers substantially all employees. Annual contributions to the plan are based on actuarial studies performed bi-annually. The Department's contribution to the plan for the fiscal year ended June 30, 2008 was \$176,925. The disclosure requirements of the Governmental Accounting Standard Board No. 45 are provided in the City's Financial Statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS

In September 1994, the Department purchased the distribution facilities located within the City of Traverse City from Consumers Power Company ("Consumers") for \$840,000. The purchase was made in connection with the settlement of litigation initiated by the Department against Consumers. The purchase was completed under the auspices of the Michigan Public Service Commission and approved by the Department Board. The Department will take possession of these facilities in three stages, one remaining stage will occur in September 2014.

On December 19, 2007, the Department entered into an agreement with Wolverine Power Supply Cooperative, Inc. for the construction of, and operation & maintenance of, a transmission substation. The cost of this project is estimated at \$6,600,000 (\$3,300,000 for each party). The Department contributed \$3,300,000 into an investment fund upon execution of the agreement to be used for its 50% share of construction costs. On June 30, 2008 the balance in the fund was \$2,027,778.

Property

During fiscal 2004, the Department entered into an agreement with Maritime Heritage Alliance to lease the Light and Power's coal dock. The lease requires annual rental payments of \$1. Under the lease agreement, the Department must maintain the property, carry adequate insurance and pay all assessments and property taxes on the property. The fair value of the lease is not considered by management to be significant in any one year and, therefore, is not recorded as contributed revenue and lease expense. This lease expires July 2023.

9. CONTINGENCIES

In the normal course of business, the Department becomes a party in various legal actions and claims, some of which are uninsured. While the outcome of these actions and claims is not expected to have a material effect on the financial position of the Department, the Board has established a designation of \$3,694,306 within unrestricted net assets at June 30, 2008 to cover the potential impact of current and future uninsured claims.

10. RISK OF LOSS

The Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Department is covered for these losses through the City via the Michigan Municipal Liability and Property Pool, Michigan Municipal Workers Compensation Self Insurance Fund and commercial health insurance. The Department has had no settled claims resulting from these risks that exceeded their coverage in any of the past three fiscal years.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

11. DESIGNATIONS OF NET ASSETS

The following are designations of unrestricted net assets established by the Board

	<u>June 30, 2008</u>
Maintenance contingencies	\$2,867,337
Green energy	950,000
Emergencies	99,519
Uninsured claims	3,694,306
Capital expansion	<u>6,986,000</u>
Total	<u>\$14,597,162</u>

12. SUBSEQUENT EVENT

On September 19, 2008, the City Treasurer on behalf of Traverse City Light and Power entered into a third party custodian agreement with Fifth Third Bank and The Bank of New York. The agreement provides collateralization on all deposits held by the Traverse City Light and Power.

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SUPPLEMENTARY INFORMATION

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2008

	Capital Assets - Cost		
	Balance at June 30, 2007	Additions/ Transfers	Deletions/ Transfers
Land	\$ 575,415	\$ -	\$ 83,612
Land - coal dock	245,636	-	-
Total land	821,051	-	83,612
Buildings			
Keystone plant	3,191	-	-
Brown Bridge	2,701	-	-
Distribution plant	3,909,335	-	-
Office structures	20,935	-	-
Other buildings	49,268	-	-
Total buildings	3,985,430	-	-
Equipment and distribution system			
Sabin Dam	23,608	-	23,608
Boardman Dam	36,392	-	36,392
Union St. Dam	24,010	-	-
Keystone plant	58,130	-	-
Brown Bridge	145,372	-	-
Wind generation unit	763,860	-	-
Transmission and distribution	42,771,995	2,106,349	-
General	862,581	236,384	-
Total equipment and distribution system	44,685,948	2,342,733	60,000
Construction-in-progress	1,229,136	4,009,674	1,606,410
Total	\$ 50,721,565	\$ 6,352,407	\$ 1,750,022

Balance at June 30, 2007	Accumulated Depreciation		Balance at June 30, 2008	Capital Assets - Net
	Current Depreciation	Deletions		Balance at June 30, 2008
\$ -	\$ -	\$ -	\$ -	\$ 491,803
-	-	-	-	245,636
-	-	-	-	737,439
3,191	-	-	3,191	-
2,384	52	-	2,436	265
495,234	117,280	-	612,514	3,296,821
2,377	628	-	3,005	17,930
739	1,478	-	2,217	47,051
503,925	119,438	-	623,363	3,362,067
-	-	-	-	-
-	-	-	-	-
16,989	720	-	17,709	6,301
58,031	12	-	58,043	87
108,935	3,556	-	112,491	32,881
263,534	22,916	-	286,450	477,410
14,417,842	1,321,061	-	15,738,903	29,139,441
746,250	11,591	-	757,841	341,124
15,611,581	1,359,856	-	16,971,437	29,997,244
-	-	-	-	3,632,400
\$ 16,115,506	\$ 1,479,294	\$ -	\$ 17,594,800	\$ 37,729,150

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION FIBER FUND FOR THE YEAR ENDED JUNE 30, 2008

	Capital Assets - Cost			
	Balance at June 30, 2007	Additions/ Transfers	Deletions/ Transfers	Balance at June 30, 2008
Equipment and distribution system				
Overhead	\$ -	\$ 807,575	\$ -	\$ 807,575
Underground	-	187,816	-	187,816
Termination boxes	-	285,604	-	285,604
Wireless equipment	-	51,725	-	51,725
Other property	-	1,300	-	1,300
Total equipment and distribution system	-	1,334,020	-	1,334,020
Construction-in-progress	-	1,334,020	1,334,020	-
Total	\$ -	\$ 2,668,040	\$ 1,334,020	\$ 1,334,020

<u>Balance at June 30, 2007</u>	<u>Accumulated Depreciation</u>		<u>Balance at June 30, 2008</u>	<u>Capital Assets Net</u>
	<u>Current Depreciation</u>	<u>Deletions</u>		<u>Balance at June 30, 2008</u>
\$ -	\$ -	\$ -	\$ -	\$ 807,575
-	-	-	-	187,816
-	-	-	-	285,604
-	-	-	-	51,725
-	65	-	65	1,235
-	65	-	65	1,333,955
-	-	-	-	-
<u>\$ -</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 65</u>	<u>\$ 1,333,955</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2008

	Amended Budget	Actual	Positive (Negative) Variance
Operating revenues - sales			
Residential	\$ 5,110,000	\$ 4,906,774	\$ (203,226)
Commercial	13,774,000	13,461,360	(312,640)
Industrial	9,090,000	8,448,569	(641,431)
Public authority	264,300	262,877	(1,423)
Street lighting	199,500	197,350	(2,150)
Yard lights	84,900	82,685	(2,215)
Total operating revenues - sales	28,522,700	27,359,615	(1,163,085)
Other operating revenues			
Forfeited discounts	60,000	58,264	(1,736)
Merchandise and jobbing	100,000	144,564	44,564
Sale of scrap	35,000	29,582	(5,418)
Recovery of bad debts	1,000	836	(164)
MISO income	1,700,000	1,968,992	268,992
Fiber revenue	111,600	-	(111,600)
Miscellaneous	30,000	38,699	8,699
Total other operating revenues	2,037,600	2,240,937	203,337
Non-operating revenues			
Rental income	16,000	17,375	1,375
Pole rental income	16,000	14,396	(1,604)
Reimbursement	200,000	262,838	62,838
Change in fair market value of investments	-	48,188	48,188
Interest income	851,000	997,161	146,161
Total non-operating revenues	1,083,000	1,339,958	256,958
Total revenues	31,643,300	30,940,510	(702,790)

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2008

	Amended Budget	Actual	Positive (Negative) Variance
Generation Expense			
Wind generator - Traverse	\$ 46,036	\$ 37,941	\$ 8,095
Wind generation farm	27,901	-	27,901
Kalkaska combustion turbine	237,157	308,175	(71,018)
Hydrodams			
Brown bridge dam	20,926	26,562	(5,636)
Sabin dam	55,802	6,712	49,090
Elk rapids dam	156,245	16,252	139,993
Boardman dam	55,802	15,271	40,531
Purchased power			
Power pool	6,806,100	6,992,813	(186,713)
Kalkaska combustion turbine	3,987,000	4,266,586	(279,586)
Campbelle	5,402,000	3,522,117	1,879,883
Belle river	2,850,000	2,602,893	247,107
Coal dock	20,926	67,337	(46,411)
Boardman river	6,975	5,741	1,234
Trap and transfer	8,370	2,404	5,966
Union street fish ladder	4,185	112	4,073
Professional development	12,500	4,870	7,630
Operation supplies	14,750	8,470	6,280
Communications	5,500	3,582	1,918
Safety	7,000	13,210	(6,210)
Maintenance contingency	150,000	-	150,000
Miscellaneous	17,000	19,212	(2,212)
Total generation expenses	19,892,175	17,920,260	1,971,915

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2008

	Amended Budget	Actual	Positive (Negative) Variance
Distribution Expense			
Supervision and engineering	\$ 220,138	\$ 458,494	\$ (238,356)
Substation	265,058	93,220	171,838
Overhead lines	1,037,913	384,849	653,064
Load and dispatching	948,630	647,351	301,279
Underground lines	125,554	204,152	(78,598)
Customer installations	8,370	35,822	(27,452)
Electric meters	22,321	120,244	(97,923)
Street lighting	69,752	122,378	(52,626)
Plant and structures	167,405	169,784	(2,379)
Professional development	32,000	109,178	(77,178)
Operation supplies	67,100	56,323	10,777
Utilities	78,000	84,522	(6,522)
Safety	12,000	63,494	(51,494)
Maintenance contingency	100,000	-	100,000
Miscellaneous	200,500	286,788	(86,288)
Total distribution expense	3,354,741	2,836,599	518,142
Transmission Expense			
Supervision and engineering	209,257	91,971	117,286
Substation	-	13,072	(13,072)
Overhead lines	-	750	(750)
Underground lines	-	1,455	(1,455)
Plant and structures	76,727	-	76,727
MISO	-	20,387	(20,387)
Miscellaneous	-	23,274	(23,274)
Total transmission expense	285,984	150,909	103,464

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Customer Accounting Expense			
Salaries	\$ 185,000	\$ 23,619	\$ 161,381
Meter reading	99,500	128,683	(29,183)
Payroll taxes and fringes	97,150	43,296	53,854
Office supplies	2,800	1,568	1,232
Postage	38,000	31,355	6,645
Stationary and printing	12,500	7,412	5,088
Equipment rental	5,000	10,927	(5,927)
Professional and contractual	20,000	22,048	(2,048)
Uncollectible accounts	35,000	48,993	(13,993)
Collection expense	1,500	874	626
Data processing	9,000	7,923	1,077
Professional development	2,000	2,397	(397)
Miscellaneous	1,500	1,262	238
Total customer accounting expense	<u>508,950</u>	<u>330,357</u>	<u>178,593</u>
Public Service Expense			
Community investment fund	-	46,250	(46,250)
Energy audits	15,000	11,981	3,019
Public service information	291,800	250,547	41,253
Total public service expense	<u>306,800</u>	<u>308,778</u>	<u>(1,978)</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONCLUDED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2008

	Amended Budget	Actual	Postive (Negative) Variance
General Administration Expense			
Salaries	\$ 529,500	\$ 507,652	\$ 21,848
Payroll taxes and fringes	183,000	93,110	89,890
Professional development	28,000	10,136	17,864
Professional and contractual	90,000	191,614	(101,614)
Office supplies	20,000	9,599	10,401
Fees and per diems	110,000	64,694	45,306
Special services	10,000	19,066	(9,066)
Legal fees	70,000	79,741	(9,741)
Utilities	7,800	5,144	2,656
Rent	5,000	-	5,000
Printing and publishing	3,000	7,206	(4,206)
Miscellaneous	53,000	4,864	48,136
Total general administration expense	1,109,300	992,826	116,474
Other expenses			
Insurance - general	140,000	297,543	(157,543)
Depreciation and amortization	1,720,000	1,479,294	240,706
City fee	1,575,000	1,514,716	60,284
Loss on sale of assets	-	83,612	(83,612)
Total other expenses	3,435,000	3,375,165	59,835
Total expenses	28,892,950	25,914,894	2,946,445
Change in net assets	\$ 2,750,350	\$ 5,025,616	\$ (3,649,235)

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL FIBER FUND FOR THE YEAR ENDED JUNE 30, 2008

	Amended Budget	Actual	Positive (Negative) Variance
Operating revenues - sales			
Public authority	\$ 13,200	\$ -	\$ (13,200)
Other sales	32,100	4,000	(28,100)
Total operating revenues - sales	45,300	4,000	(41,300)
Other operating revenues			
Miscellaneous	1,000	5,648	4,648
Non-operating revenues			
Reimbursements	200,000	217,520	17,520
Capital contribution	-	51,725	51,725
Interest income	700	-	(700)
Total non-operating revenues	200,700	269,245	68,545
Total revenues	247,000	278,893	31,893
Fiber Expenses			
Supervision and engineering	150,050	65,511	(84,539)
Overhead	78,500	10,845	(67,655)
Underground	1,000	10,144	9,144
Termination boxes	70,000	16,560	(53,440)
Customer installations	5,500	-	(5,500)
Plant and structures	-	1,075	1,075
Professional development	33,000	4,214	(28,786)
Operation supplies	1,500	8,923	7,423
Miscellaneous	11,100	19,805	8,705
Total fiber expenses	350,650	137,077	(213,573)
Other			
Insurance and bonds	1,000	-	(1,000)
City fee	2,350	482	(1,868)
Depreciation and amortization	-	65	65
Total other	3,350	547	(2,803)
Total expenses	354,000	137,624	(216,376)
Change in net assets	\$ (107,000)	\$ 141,269	\$ 248,269